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R F INDUSTRIES LTD
Form 10QSB
June 13, 2002

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-QSB

Quarterly Report Under Section 13 or 15 (d) of
Securities Exchange Act of 1934

for Quarter ended April 30, 2002
Commission File Number 0-13301

RF INDUSTRIES, LTD.

(Exact name of registrant as specified in its charter)

Nevada 88-0168936

(State of Incorporation) (I.R.S. Employer Identification No.)

7610 Miramar Road., Bldg. 6000, San Diego, California 92126-4202

(Address of principal executive offices) (Zip Code)

(858) 549-6340 FAX (858) 549-6345

(Issuer's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None.

Check whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days

Yes No

State the number of shares outstanding of each of the issuer's classes of common stock at the latest practicable date.

As of May 31, 2002, the registrant had 3,409,354 shares of Common Stock, \$.01 par value, outstanding.

Transitional small business disclosure format

Yes No

Part I. FINANCIAL INFORMATION

RF INDUSTRIES, LTD. AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS

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Item 1: Financial Statements

| ASSETS | April 30 | October 31 |
|---|-------------|-------------|
| ----- | 2002 | 2001 |
| | ----- | ----- |
| | (Unaudited) | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$1,393,572 | \$ 915,538 |
| Investments in available-for-sale securities | 1,790,040 | 1,744,851 |
| Trade accounts receivable, net of allowance for doubtful accounts of \$90,411 and \$42,000 | 1,187,820 | 981,803 |
| Notes receivable | 12,000 | 12,000 |
| Income tax refund receivable | 105,192 | 216,192 |
| Inventories | 4,272,630 | 4,746,125 |
| Other current assets | 215,885 | 111,214 |
| Deferred tax assets | 150,130 | 155,700 |
| | ----- | ----- |
| TOTAL CURRENT ASSETS | 9,127,269 | 8,883,423 |
| | ----- | ----- |
| PROPERTY AND EQUIPMENT | | |
| Equipment and tooling | 1,062,414 | 1,050,922 |
| Furniture and office equipment | 248,826 | 243,357 |
| | ----- | ----- |
| Fixed assets, at cost | 1,311,240 | 1,294,279 |
| Less accumulated depreciation | 819,370 | 737,279 |
| | ----- | ----- |
| NET FIXED ASSETS | 491,870 | 557,000 |
| | ----- | ----- |
| Intangible assets | 174,698 | 174,698 |
| Less accumulated amortization | 11,646 | 11,646 |
| | ----- | ----- |
| NET INTANGIBLE ASSETS | 163,052 | 163,052 |
| Note receivable from stockholder | 70,000 | 70,000 |
| Other assets | 11,471 | 11,471 |
| | ----- | ----- |
| TOTAL ASSETS | \$9,863,662 | \$9,684,946 |
| | ===== | ===== |

See Notes to Condensed Consolidated Unaudited Financial Statements.

RF INDUSTRIES, LTD. AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS

Item 1: Financial Statements

| LIABILITIES AND STOCKHOLDERS' EQUITY | April 30 | October 31 |
|---|-------------|------------|
| ----- | 2002 | 2001 |
| | ----- | ----- |
| | (Unaudited) | |

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| | | |
|--|--------------|--------------|
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 133,010 | \$ 107,145 |
| Notes payable | 41,663 | 50,000 |
| Accrued expenses | 202,949 | 278,407 |
| | ----- | ----- |
| Total current liabilities..... | 377,622 | 435,552 |
| Notes payable, net of current portion | | 39,163 |
| Deferred tax liabilities | 25,700 | 25,700 |
| | ----- | ----- |
| TOTAL LIABILITIES | 403,322 | 500,415 |
| | ----- | ----- |
| COMMITMENTS AND CONTINGENCIES | | |
| STOCKHOLDERS' EQUITY | | |
| Common Stock - authorized 10,000,000 shares of \$.01 par value; 3,441,054 shares issued | 34,410 | 34,410 |
| Additional paid-in capital | 4,695,147 | 4,695,147 |
| Retained earnings | 4,786,986 | 4,543,376 |
| Unearned compensation | 0 | (23,490) |
| Accumulated other comprehensive gain (loss)..... | 723 | (7,986) |
| Receivables from sale of stock | (1,715) | (1,715) |
| Treasury stock, at cost - 31,700 shares | (55,211) | (55,211) |
| | ----- | ----- |
| TOTAL STOCKHOLDERS' EQUITY | 9,460,340 | 9,184,531 |
| | ----- | ----- |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 9,863,662 | \$ 9,684,946 |
| | ===== | ===== |

See Notes to Condensed Consolidated Unaudited Financial Statements.

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Item 1: Financial Statements (continued)

| | RF INDUSTRIES, LTD. AND SUBSIDIARY CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME | | | |
|---------------------|---|--------------|------------------------------|--------------|
| | Three Months Ended April 30 | | Six Months Ended April 30 | |
| | (Unaudited) | | (Unaudited) | |
| | 2002 | 2001 | 2002 | 2001 |
| | ----- | ----- | ----- | ----- |
| Net sales | \$ 2,090,989 | \$ 2,403,539 | \$ 4,275,906 | \$ 4,752,140 |
| Cost of sales | 956,996 | 1,138,063 | 2,106,676 | 2,358,227 |
| | ----- | ----- | ----- | ----- |

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| | | | | |
|--|------------|------------|------------|------------|
| Gross profit | 1,133,993 | 1,265,476 | 2,169,230 | 2,393,913 |
| | ----- | ----- | ----- | ----- |
| Operating expenses: | | | | |
| Engineering | 142,192 | 125,675 | 306,227 | 241,404 |
| | 735,628 | 792,080 | 1,505,611 | 1,443,635 |
| Selling and general | ----- | ----- | ----- | ----- |
| Totals | 877,820 | 917,755 | 1,811,838 | 1,685,039 |
| | ----- | ----- | ----- | ----- |
| Operating income | 256,173 | 347,721 | 357,392 | 708,874 |
| | ----- | ----- | ----- | ----- |
| Other income: | | | | |
| Commissions | 0 | 42,784 | 8,215 | 60,857 |
| Interest | 16,249 | 23,413 | 40,003 | 54,921 |
| | ----- | ----- | ----- | ----- |
| Totals | 16,249 | 66,197 | 48,218 | 115,778 |
| | ----- | ----- | ----- | ----- |
| Income before provision for income tax | 272,422 | 413,918 | 405,610 | 824,652 |
| Provision for income tax | 111,000 | 164,500 | 162,000 | 330,000 |
| | ----- | ----- | ----- | ----- |
| Net income | \$ 161,422 | \$ 249,418 | \$ 243,610 | \$ 494,652 |
| | ===== | ===== | ===== | ===== |
| Basic earnings per share | \$ 0.05 | \$ 0.07 | \$ 0.07 | \$ 0.15 |
| | ===== | ===== | ===== | ===== |
| Diluted earnings per share | \$ 0.04 | \$ 0.06 | \$ 0.06 | \$ 0.13 |
| | ===== | ===== | ===== | ===== |
| Basic weighted average | 3,409,354 | 3,403,054 | 3,409,354 | 3,402,882 |
| shares outstanding | ===== | ===== | ===== | ===== |
| Diluted weighted average | 3,851,303 | 3,876,147 | 3,848,809 | 3,949,752 |
| shares outstanding | ===== | ===== | ===== | ===== |
| COMPREHENSIVE INCOME: | | | | |
| Net income | \$ 161,422 | \$ 249,418 | \$ 243,610 | \$ 494,652 |
| Unrealized gain (loss) on available- for-sale securities, net of deferred tax | 1,613 | 4,018 | 8,709 | (16,743) |
| | ----- | ----- | ----- | ----- |
| Total comprehensive income | \$ 163,035 | \$ 253,436 | \$ 252,319 | \$ 477,909 |
| | ===== | ===== | ===== | ===== |

See Notes to Condensed Consolidated Unaudited Financial Statements.

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Item 1: Financial Statements (continued)

RF INDUSTRIES, LTD. AND SUBSIDIARY
CONDENSED CONSOLIDATED
STATEMENTS OF CASH FLOWS
(Unaudited)
Six months ended April 30

OPERATING ACTIVITIES

2002 2001

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| | | |
|---|--------------|------------|
| Net income | \$ 243,610 | \$ 494,652 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities | | |
| Bad debts | 50,000 | 28,320 |
| Inventory deposit write-offs | | 30,294 |
| Depreciation and amortization | 82,721 | 62,588 |
| Amortization of unearned compensation | 23,490 | 47,028 |
| Changes in operating assets and liabilities, net of | | |
| acquisition payment in 2001: | | |
| Trade accounts receivable | (256,017) | 376,293 |
| Inventories | 473,495 | (933,463) |
| Other assets | 6,329 | 11,509 |
| Accounts payable | 25,865 | (251,455) |
| Accrued expenses | (75,458) | (193,479) |
| | ----- | ----- |
| Net cash provided by (used in) operating activities | 574,035 | (327,713) |
| | ----- | ----- |
| INVESTING ACTIVITIES | | |
| Proceeds from sale of (investment in) securities .. | (30,910) | 461,706 |
| Capital expenditures | (17,591) | (110,345) |
| Payment for acquisition, net of cash acquired | | (147,078) |
| | ----- | ----- |
| Net cash provided by (used in) investing activities | (48,501) | 204,283 |
| | ----- | ----- |
| FINANCING ACTIVITIES | | |
| Payments on loans payable | (47,500) | (220,371) |
| Proceeds from exercise of common stock options | | 1,561 |
| | ----- | ----- |
| Net cash used in financing activities | (47,500) | (218,810) |
| | ----- | ----- |
| Net increase (decrease) in cash and cash equivalents | 478,034 | (342,240) |
| Cash and cash equivalents at the beginning of the period | 915,538 | 557,923 |
| | ----- | ----- |
| Cash and cash equivalents at the end of the period | \$ 1,393,572 | \$ 215,683 |
| | ===== | ===== |
| SUPPLEMENTARY CASH FLOW DATA: | | |
| Income taxes paid | \$ 51,000 | \$ 255,000 |
| | ===== | ===== |
| Noncash investing and financing activities: | | |
| Fair value of assets acquired | | \$ 496,504 |
| Liabilities assumed | | (207,341) |
| Seller financing | | (139,163) |
| | | ----- |
| Cash paid | | \$ 150,000 |
| | | ===== |

See Notes to Condensed Consolidated Unaudited Financial Statements.

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Note 1 - Unaudited interim financial statements:

The accompanying unaudited condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-QSB. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six month periods ended April 30, 2002 are not necessarily indicative of the results that may be expected for the year ending October 31, 2002. The unaudited condensed consolidated financial statements should be read in conjunction with the financial statements and footnotes thereto included in the Company's annual report on Form 10-KSB for the year ended October 31, 2001.

Note 2 - Components of inventory

| | April 30, 2002 | October 31, 2001 |
|---------------------------------|----------------|------------------|
| | ----- | ----- |
| | (Unaudited) | (Audited) |
| Raw material and supplies | \$ 781,410 | \$ 822,180 |
| Finished goods | 3,491,220 | 3,923,945 |
| | ----- | ----- |
| Totals | \$ 4,272,630 | \$ 4,746,125 |
| | ===== | ===== |

Note 3 - Earnings per share:

The Company follows the provisions of Statement of Financial Accounting Standards No. 128, "Earnings per Share", which requires the presentation of "basic" and "diluted" earnings per common share, as further explained in Note 1 of the notes to the audited financial statements of the Company, included in Form 10-KSB for the fiscal year ended October 31, 2001.

Basic earnings per share is computed by dividing net earnings by the weighted average number of common stock outstanding during the period.

Diluted earnings per share is computed by dividing net earnings by the weighted average number of shares of common stock increased by the effects of assuming that other potentially dilutive securities (such as stock options) outstanding during the period had been exercised.

The following table summarizes basic and diluted shares:

| | Three Months Ended | | Six Months |
|---|--------------------|-----------|------------|
| | April 30 | | April 30 |
| | 2002 | 2001 | 2002 |
| | ----- | ----- | ----- |
| Weighted average shares outstanding for | | | |
| basic net earnings per share | 3,409,354 | 3,403,054 | 3,409,354 |
| Add effects of potentially dilutive securities- | | | |

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| | | | | |
|--|-----------|-----------|-----------|---|
| assumed exercised of stock options | 441,949 | 473,093 | 439,455 | |
| | ----- | ----- | ----- | |
| Weighted average shares for diluted net earnings per share | 3,851,303 | 3,876,147 | 3,848,809 | 3 |
| | ===== | ===== | ===== | |

Note 4 - Segment Information

Net sales and income (loss) before provision for income taxes for the three months ended April 30, 2002 and 2001 follows:

| | Connector | Neulink | Bioconnect | Common/ Corporate | Intercomp Sales |
|---|--------------|------------|------------|----------------------|--------------------|
| | ----- | ----- | ----- | ----- | ----- |
| 2002 | | | | | |
| ----- | | | | | |
| Net sales | \$ 1,787,971 | \$ 203,914 | \$ 284,506 | | \$ (185,400) |
| Income (loss) before provision for income taxes | 246,708 | (20,686) | 30,151 | 16,249 | |
| Depreciation and amortization | 22,217 | 6,042 | 13,277 | | |
| Total assets | 8,644,055 | 1,105,355 | 114,252 | | |
| Additions to property and equipment | 7,198 | | 5,842 | | |
| 2001 | | | | | |
| ----- | | | | | |
| Net sales | \$ 2,176,271 | \$ 157,689 | \$ 69,579 | | |
| Income (loss) before provision for income taxes | 465,613 | 30,748 | (144,902) | \$ 62,459 | |
| Depreciation and amortization | 17,775 | 3,225 | 9,624 | | |
| Total assets | 7,701,887 | 1,240,142 | 358,429 | | |
| Additions to property and equipment | 19,706 | | | | |

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Net sales and income (loss) before provision for income taxes for the six months ended April 30, 2002 and 2001 follows:

Common/ Intercom

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| | Connector ----- | Neulink ----- | Bioconnect ----- | Corporate ----- | Sales ----- |
|---|--------------------|------------------|---------------------|--------------------|----------------|
| 2002 ----- | | | | | |
| Net sales | \$ 3,558,721 | \$ 553,146 | \$ 454,919 | | \$ (290,88 |
| Income (loss) before provision for income taxes | 458,797 | 43,794 | (136,984) | \$ 40,003 | |
| Depreciation and amortization | 45,610 | 11,043 | 26,068 | | |
| Total assets | 8,644,055 | 1,105,355 | 114,252 | | |
| Additions to property and equipment | 10,945 | | 6,646 | | |

| | | | | | |
|---|--------------|------------|------------|-----------|--|
| 2001 ----- | | | | | |
| Net sales | \$ 4,229,547 | \$ 402,943 | \$ 119,650 | | |
| Income (loss) before provision for income taxes | 1,089,655 | (110,546) | (212,230) | \$ 57,773 | |
| Depreciation and amortization | 40,985 | 6,543 | 15,060 | | |
| Total assets | 7,701,887 | 1,240,142 | 358,429 | | |
| Additions to property and equipment | 110,345 | | | | |

Note 5 - New accounting policy

The Company has elected early adoption of SFAS No. 142, "Goodwill and Other Intangible Assets", which requires that goodwill and certain intangible assets, including those recorded in past business combinations, no longer be amortized against earnings, but instead be tested for impairment at least annually. The Company believes there is no material impact on the financial statements.

Item 2: Management's discussion and analysis of financial condition and results of operations

This report contains forward-looking statements. These statements relate to future events or the Company's future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "except," "plan," "anticipate," "believe," "estimate," "predict," "potential" or "continue," the negative of such terms or other comparable terminology. These statements are only predictions. Actual events or results may differ materially.

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Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, the Company cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither the Company, nor any other person, assumes responsibility for the accuracy and completeness of the forward-looking statements. The Company is under no obligation to update any of the forward-looking statements after the filing of this Quarterly Report on Form 10-QSB to conform such statements to actual results or to changes in its expectations.

The following discussion should be read in conjunction with the Company's financial statements and the related notes and other financial information appearing elsewhere in this Form 10-QSB. Readers are also urged to carefully review and consider the various disclosures made by the Company which attempt to advise interested parties of the factors which affect the Company's business, including without limitation the disclosures made under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations," under the caption "Risk Factors," and the audited financial statements and related notes included in the Company's Annual Report filed on Form 10-KSB for the year ended October 31, 2001 and other reports and filings made with the Securities and Exchange Commission.

Liquidity and Capital Resources

Management believes that existing current assets and the amount of cash it anticipates it will generate from current operations will be sufficient to fund the anticipated liquidity and capital resource needs of the Company for at least twelve months. The Company does not, however, currently have any commercial banking arrangements providing for loans, credit facilities or similar matters should the Company need to obtain additional capital. Management believes that its existing assets and the cash expected to be generated from operations will be sufficient during the current fiscal year are based on the following:

- o As of April 30, 2002, the amount of cash, cash equivalents, and available-for-sale securities was equal to \$ 3,183,612 in the aggregate.
- o As of April 30, 2002, the Company had \$9,127,269 in current assets, and only \$377,622 of current liabilities
- o As of April 30, 2002, the Company had only \$41,663 of outstanding indebtedness (other than accounts payable and other current liabilities).

The Company does not believe it will need material additional capital equipment in fiscal 2002. In the past, the Company has financed some of its fixed asset requirements through capital leases. No additional capital equipment purchases have been currently identified that would require significant additional leasing or capital obligations during fiscal 2002. Management also believes that based on the Company's financial condition at April 30, 2002, the absence of outstanding bank debt and recent operating results, the Company would be able to obtain bank loans to finance its expansion, if necessary, although there can be no assurance any bank loan would be obtainable, or if obtained, would be on favorable terms or conditions.

Net cash provided by operating activities for the first six months of 2002 was \$574,035 whereas cash used in operating activities for the first six months of

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2001 was \$327,713. Non cash outlays for bad debts, inventory deposit write-offs, depreciation and amortization, and amortization of unearned income for the first six months were \$ 156,211 compared to \$168,230 for the previous year. Trade accounts receivable increased \$256,017 compared to an decrease of \$376,293 the previous year. The increase is due to some slow paying accounts due to our economy. Accounts payable increased \$25,865 compared to a decrease of \$251,455 the previous year. Accrued expenses decreased \$ 75,458 compared to a decrease of \$193,479 the previous year. The Company was able to further reduce its accrued expenses as a result of its good cash position.

Net cash used in investing activities was \$48,501 for the first six months ended April 30, 2002, and consisted of investments in securities of \$30,910 and capital expenditures of \$17,591.

Net cash used in financing activities was \$47,500 for the six months ended April 20, 2002, and consisted of payment on the loan payable to Bioconnect.

As of April 30, 2002 the Company had \$1,393,572 in cash and cash equivalents and \$1,790,040 in investments, as compared to \$915,538 in cash and cash equivalents and \$1,744,851 in investments at October 31, 2001. As a result, as of April 30, 2002, the Company had working capital of \$8,749,647 and a current ratio of 24.17 to 1.

Three Months 2002 vs. Three Months 2001

Net sales decreased 13%, or \$309,000, to \$2,091,000 from \$2,400,000 in the first three months ended April 30, 2002. The decrease was the result of declining sales at the Company's RF Connectors division. The RF Connectors manufactures and sells connectors used in radio communications applications, such as cellular and PCS telephones, cellular and PCS base stations, GPS products, and cable and dish radio/TV systems. Net sales at the RF Connector division decreased by 18% during the fiscal quarter ended April 30, 2002 compared to the same fiscal quarter last year because of decreased demand for wireless application products. The Company believes that sales for wireless products have decreased in the current year compared to the past year due to an industry-wide slowdown in the demand for wireless products. The decrease in connector sales was partially offset by an increase in cable assembly systems. During the fiscal quarter ended April 30, 2002, net sales of cable assembly systems was \$687,500 compared to net cable system sales of \$490,400 during the same fiscal quarter last year. Since the acquisition of the Bioconnect division, the RF Connector division has attempted to increase sales of its radio frequency connectors by selling its connectors as part of completed cable assemblies that are manufactured for the RF Connector division by the Bioconnect division. The Company believes that its new marketing strategy of marketing complete cable assemblies has managed to reduce the decline of revenues from the sales of connectors. However, since cable assembly sales are still developing and inconsistent, the Company anticipates that sales of such assemblies will fluctuate in the future.

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Sales at the Company's RF Neulink division increased by 29% to \$204,200 compared to \$157,700 in the fiscal quarter ended April 30, 2002. This increase can be attributed to stronger sales in new application areas. However, while RF Neulink's net sales increased during the current fiscal quarter, RF Neulink experienced a net loss before taxes of approximately \$21,000 during the current fiscal quarter, compared to income before taxes of approximately \$31,000 during the same fiscal quarter in 2001. The loss is attributable to sales of lower

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margin products.

Net sales at the Company's Bioconnect division increased in the fiscal quarter ended April 30, 2002 from \$69,600 to \$284,500. However, of the increase in Bioconnect's sales, \$185,400 resulted from intercompany sales of cable assemblies to the RF Connector division. The RF Connector division currently anticipates that sales of cable assemblies will decrease somewhat in the near term, which will therefore also result in a decrease in Bioconnect's revenues. Bioconnect is completing the development of some additional interconnect products for medical monitoring applications, which new products, when released, are expected to contribute to increased Bioconnect medical interconnect sales.

Cost of sales decreased 16%, or \$181,100 to \$957,000 from \$1,138,100 last year. The decrease is due to the 13% decrease in the Company's net sales, and the Company's overall gross margins as a percentage of sales did not materially change during the current fiscal quarter.

Engineering expenses increased \$16,500, or 13%, from \$125,700 in the second quarter last year. Engineering expenses increased during the current year as the Company responded to the rapid changes in the wireless industry for new products and for connectors that are used in new applications. This Company anticipates that engineering expenses will remain above last year's levels while the number of wireless applications continues to increase.

Selling and general expenses decreased 7% or \$56,400, to \$735,600 from \$792,000 last year. The decrease is in response to declining net sales, which decreased by 13% during the current period compared to the prior year's quarter. During the current fiscal quarter, the Company attempted to reduce its general expenses by reducing its labor force and taking other cost cutting steps. The Company did not, however, significantly reduce its marketing and advertising expenses.

Net interest income decreased \$7,200 to \$16,200 from \$23,400 the previous year due to lower interest rates.

No commissions were paid to the Neulink division in current fiscal quarter ending April 30, 2002. For the past two years, the Company has been receiving commissions under an agreement with a third party relating to sales made by that third party. The Company believes that the foregoing agreement has been substantially completed and that, therefore, no material amounts of such payments will be received in the future. During last year's fiscal quarter ending April 30, 2001, the Company still received these payments, which payments totaled \$42,800 during last year's quarter.

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Six Months 2002 vs Six Months 2001 -----

Net sales decreased by \$476,200, or 10%, to \$4,275,900 for the six month period ended April 30, 2002 from \$4,752,100 in the previous year. As discussed above, the decrease was the result of declining sales at the Company's RF Connectors division, which decrease is attributable to an industry-wide decrease in demand for radio frequency connectors. As a result of the decrease in connector sales, net sales made by the RF Connectors division decreased by 16% to \$3,558,700 from \$4,229,500 last year.

Sales in the Company's RF Neulink division increased during the current

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six-month period ending April 30, 2002 by 37% to \$553,150 from \$403,000 for the comparable six-month period in the previous year. The increase can be attributed to stronger sales of new application areas.

Bioconnect's sales during the six-month period ending April 30, 2002 were \$455,000, compared to \$119,650 for the same six months last year. The two fiscal periods are not, however, comparable since the Bioconnect division was acquired in December 2000 and, therefore, did not have six months operations during the prior year's period. In addition, Bioconnect's sales during the six-month period ending April 30, 2002 included intercompany sales of \$291,000, representing cable assemblies that Bioconnect sold to the RF Connector division. No similar intercompany sales were effected last year.

Cost of sales decreased \$251,500, or 11%, to \$2,106,700 from \$2,358,200 last year due to the 10% decrease in sales. Overall, gross profits as a percent of sales, remained relatively unchanged for the Company at 51% during the current six-month period compared to 50% last year.

Engineering expenses increased \$64,800, or 27%, to \$306,200 from \$241,400 last year. This increase can be attributed to added personnel and expenses associated with the Bioconnect acquisition and the Company's expansion of its engineering departments to meet the increased business demands.

Selling and general expenses increased \$62,000, or 4%, to \$1,505,600 compared to \$1,443,600 last year, and as a percent of sales increased to 35% from 30% of sales last year. The increase is due to the added expenses incurred primarily during the first three months of the period. The increases in selling and general expenses include the additional expenses associated with the Bioconnect acquisition and higher expenses for legal fees, increased travel, advertising, and insurance expenses.

Net interest income decreased \$14,900 to \$40,000 from \$54,900 the previous year primarily due to lower interest rates earned on cash and cash equivalents. Commissions for the Neulink division's sales were \$8,200, all of which were received during the first three months of the six month fiscal period, compared to \$60,850 in commissions the previous year as sales under the third party agreement began to wind down.

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MATERIAL CHANGES IN FINANCIAL CONDITION:

Cash and cash equivalents increased by \$478,034 to \$1,393,572 compared to the October 31, 2001 fiscal year-end balance of \$915,538. As a result, cash and cash equivalents were \$3,183,612 at April 30, 2002. The increase in the Company's cash position is due to the decrease in inventory levels and the collection of an income tax refund.

Trade accounts receivable increased \$206,017, or 21% to \$1,187,820 compared to the October 31, 2001 balance of \$981,803. The increase is due to a slow-down in payment schedules of a few customers, which the Company attributes to the overall economy. Nevertheless, the Company increased its net allowance for doubtful accounts by approximately \$49,000 to reflect the increased difficulties the Company has experienced in receiving timely payments from its customers.

Inventories, as of April 30, 2002, decreased to \$4,272,630, a \$473,495 decrease from \$4,746,125 on October 31, 2001. As part of its business strategy, and because of its off-shore manufacturing arrangements, the Company normally

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maintains a high level of inventory. Due to an overall slow-down in the demand for the Company's connectors, the Company has been reducing its inventory levels.

Other current assets, including prepaid expenses and deposits, increased \$104,700 to \$215,900, from \$111,200 on October 31, 2001. This increase is part of the normal operating cycle of the Company and is due to the annual invoices received early each year for prepaid cargo insurance, prepaid property and liability insurance, audit fees, computer maintenance agreement, and miscellaneous expenses.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 2-5 Not applicable

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits Description

None

(b) Reports on Form 8-K

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

RF INDUSTRIES, LTD.

Dated: June 13, 2002

By: /s/ Howard F. Hill

Howard F. Hill, President
Chief Executive Officer

Dated: June 13, 2002

By: /s/ Terrie A. Gross

Terrie A. Gross
Chief Financial Officer